

# Before You Start Looking for a New House

**B**efore you actively start looking to buy a new home, it's necessary to know exactly how much you can qualify for. Make an appointment with our office to determine just how much house you can afford, what kind of a down payment may be expected, how much the closing costs may be, and what your monthly payments will be.

## Know Your Credit Worthiness

Look at your credit report before you make the appointment to discuss the mortgage. It is not uncommon to find problems with credit reports, especially if you have a common last name. We can help you obtain a copy of your credit report, if needed.

## Get Pre-Approved

After you review your credit report and any problems are corrected, get pre-approved. Take the steps necessary to get a letter stating that you are "pre-approved" for a loan in a specific price range. It's important to have this letter before you make a contract offer to buy real estate. Once you're pre-approved, you know what price range of homes you should be looking at. Getting pre-approved should save you a lot of time, such as the time spent looking at homes you cannot afford.

## What Kind of House Is Right for You?

Determine the specifics you would like to see or need in a home. For example:

- What are your day to day and future needs?
- Do you enjoy swinging a hammer?
- Older houses have great charm, but may need updating.
- New homes offer the latest energy efficiency and design features.
- Larger lots can give room for additions and swimming pools.
- A fixer upper can sometimes dramatically increase in worth.
- A PUD (Planned Unit Development) may have private recreational facilities such as a pool and play parks.
- A condo or townhouse should relieve you of most yard work and exterior maintenance.

Sit down with your real estate agent and make up a wants and needs list. By knowing your price range, we can determine in what neighborhoods or towns to start looking. You may find that you are limited to where you look based on your situation. Again, there is no sense in wasting your time looking in areas that are way out of your price range.

## A Sample of Some Wants & Needs

- Price range
- Building style/design
- New construction
- Recently remodeled
- Fixer upper
- Minimum number of bedrooms
- Number of bathrooms
- Fireplace
- Office/den
- Hardwood floors
- Swimming pool / Spa
- Central air conditioning
- Workshop
- Yard size

- School district
- Work locations/commute
- Special zoning or location

With a list of houses that you can afford to buy, drive by them and check out the surrounding neighborhood. Next, make an appointment with your real estate agent to view the interior of the ones you are interested in. We'll be happy to assist you.

After you have narrowed your selection to a few houses, it is important to visit them again at different times of the day. For example, be sure to visit them during the morning commute time. If you visit only during the middle of the day, you might not notice if, for example, the street in front of the home is used as a minor thoroughfare or a shortcut.

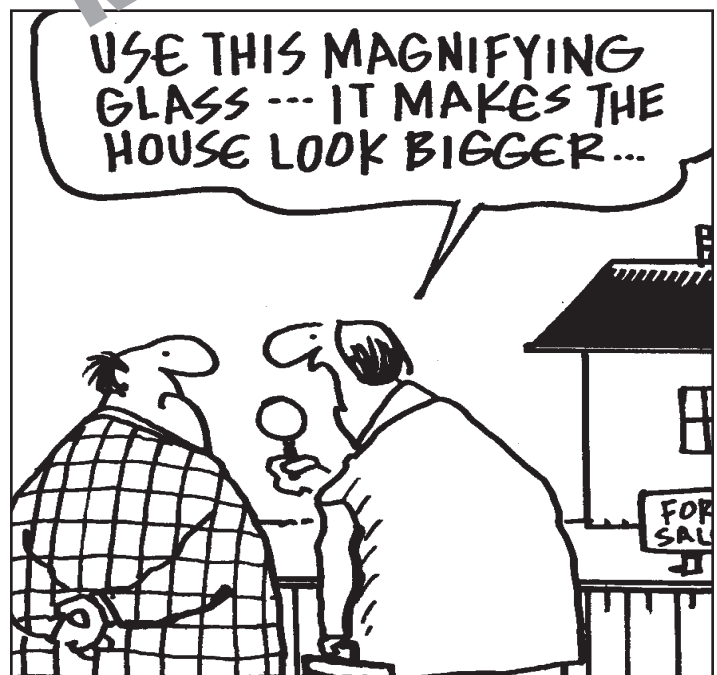
This is also a good time to find out how you emerge from your residential area into traffic on a major thoroughfare or how long it takes for freeway access. Go back after dark and walk around the block. You might notice that headlights from approaching traffic shine into the home or hear sounds from a nearby night club or skate park that you were not aware of previously.

After previewing a number of homes, you will want to preview a few a second time. This is the time to make measurements, ask further

questions, and make a closer self-inspection. When you're ready to make an offer, we'll help you to determine the best offering price. A "seller's market" vs. a "buyer's market" can have a big effect on how much to offer.

A properly written contract will usually allow a buyer a number of outs if certain items are not met or approved. Get a copy of a typical real estate contract prior to making an offer and we'll go over it with you. Ask lots of questions. That's why we're here. Call us today!

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## 6 Reasons to Get a Long-Term Mortgage!

As much as home ownership is the American Dream, owing money on a home loan is perceived by many as the American Nightmare. Yet, despite the thousands of dollars you'll spend on interest payments, there are some benefits to a long-term mortgage.

Debt can be depressing, especially when you have a hefty mortgage payment. Many people feel weighed down by monthly payments to a mortgage lender. But there's plenty of evidence that the benefits of holding a long-term fixed-rate mortgage — such as low mortgage rates and tax-deductible interest — make it a great financial tool.

### 1. Low mortgage rates

The double-digit interest rates of the 1970s are a distant memory for most homeowners. Today's single-digit mortgage rates, when compared with the interest charged on a credit card or a personal loan, make a home loan the cheapest available money on the market.

### 2. Tax-deductible interest

As part of the federal government's initiative to increase the rates of homeownership, interest on mortgage payments is tax deductible. The net effect of the deduction is the equivalent to lowering your rate a percentage point or two (based on your tax bracket). The tax-deductible interest rate makes your mortgage dollars even cheaper, which leaves you with more money for investing.

### 3. Spend more on the market

Just like term life insurance champions the mentality, "Buy term and

invest the difference," you can take a similar approach to your mortgage. Instead of taking out an expensive 15-year mortgage, get a 30-year mortgage and invest the difference in mutual funds, stocks, or bonds. Over time, compound interest should help your investment overtake the money spent on long-term interest.

### 4. Your home will appreciate in value over the long term

Provided that you live in a good neighborhood with a stable economy, your home should appreciate in value over time. Even minimal percentage gains over time will outpace the cost of your mortgage, further lowering the overall expense of the loan.

### 5. Mortgage payments static, salaries rise

The best part about a fixed-rate mortgage is that the payment will always stay the same. If you collect annual raises, your salary will consistently increase, making the payments increasingly affordable.

### 6. Increased liquidity

Liquidity is extremely important for any individual or family; if times get tough, you always want to be able to access cash in a pinch. If you prepay your mortgage and build up equity, you'll have to take out a loan to access it (or else sell your house). On the other hand, if you had invested that money, you could simply cash in your investments.

Debt conjures up all types of negative connotations, but the right kind of debt can be an excellent financial tool. A long-term mortgage at a low interest rate could give you the flexibility you need to invest for your retirement, or have access to emergency cash. Spend less on your mortgage and you'll save more over the long haul.

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## From the Inside: The Ins and Outs of Lowball Offers

Negotiating for the best price for real estate can be a delicate process. By offering too much, it's easy for a buyer to overpay for a property. Sometimes, a so-called "lowball" offer can offend the seller and jeopardize the whole deal. Experts say that communication is the key to success. Even in today's lopsided buyer's market, it's possible to make an unreasonably low offer and offend a seller. When that happens, sellers typically react by getting upset and not responding with a counteroffer. By offering too little — in other words, by playing hardball — it's easy to lose the entire transaction and walk away empty-handed.

### How low can you go?

Some Realtors® say that any dollar amount more than 15 percent below the original asking price is considered a lowball offer. Others say it's 25 percent. But most agree that there is no magic number, because every seller is unique, and the reaction to an offer is based on individual emotions. A smarter and more practical approach is to present informal verbal offers in an ongoing effort to keep communication and negotiations alive.

That more rational approach requires a good understanding of the strengths and weaknesses of the deal. For example, if a seller has listed a property slightly higher in the hope of securing a bigger profit, there's more room for lowballing. If, however, the price was determined based on the minimum amount the seller needs in order to pay off the mortgage, there will likely be much less wiggle room to accommodate

the buyer.

### Knowledge is power

It becomes easier to effectively negotiate when Realtors® are involved. The agents don't get emotionally involved the way that their clients do, so they can hammer out a deal much more easily by discussing the specific needs and goals of their customers. Often, they can figure out how to satisfy both buyer and seller by negotiating not just on price, but on other important terms like repairs, closing costs, or move-in date.

Working with institutional sellers, like mortgage lenders with repossessed homes, can also be simpler, because they're not sentimentally attached to the home. They'll generally entertain any offer that helps save money — or lose less than they might risk by holding out for a better price.

While there's no fixed formula regarding lowball offers, almost every expert agrees that the most volatile situation exists when inexperienced, nonprofessional buyers and sellers come face to face. Buyers may be better off hiring an "exclusive buyer agent." These brokers owe their fiduciary responsibility to the buyer. Such representatives, who are skillful negotiators, can often work deals at prices that offset their commissions. Working through a buyer's agent can sometimes be a less stressful and more productive process than going it alone.

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